

ORIGINAL



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MEMORANDUM

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TO: Docket Control
Arizona Corporation Commission

FROM: Ernest G. Johnson
Director
Utilities Division
Er

Date: November 18, 2005

RE: STAFF REPORT FOR GOODMAN WATER COMPANY – APPLICATION
FOR EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND
NECESSITY FOR WATER SERVICE (DOCKET NO. W-02500A-05-0443)

Attached is the Staff Report for Goodman Water Company's application for extension of it existing Certificate of Convenience and Necessity for water service. Staff is recommending approval with conditions.

EGJ:BNC:red

Originator: Blessing Chukwu

Attachment: Original and 13 Copies

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DOCUMENT CONTROL

Service List for: Goodman Water Company
Docket No. W-02500A-05-0443

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

GOODMAN WATER COMPANY

DOCKET NO. W-02500A-05-0443

APPLICATION FOR EXTENSION
OF EXISTING CERTIFICATE OF
CONVENIENCE AND NECESSITY

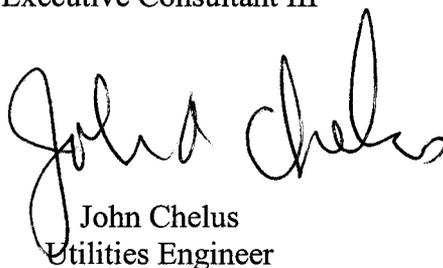
NOVEMBER 18, 2005

STAFF ACKNOWLEDGMENT

The Staff Report for Goodman Water Company (Docket No. W-02500A-05-0443) was the responsibility of the Staff members signed below. Blessing Chukwu was responsible for the review and analysis of the Company's application. John Chelus was responsible for the engineering and technical analysis.

A handwritten signature in black ink, appearing to read "Blessing Chukwu", with a long horizontal flourish extending to the right.

Blessing Chukwu
Executive Consultant III

A handwritten signature in black ink, appearing to read "John Chelus", with a large, stylized initial "J" and a long horizontal flourish extending to the right.

John Chelus
Utilities Engineer

EXECUTIVE SUMMARY
GOODMAN WATER COMPANY
DOCKET NO. W-02500A-05-0443

On June 17, 2005, Goodman Water Company ("Goodman" or "Company") filed its application with the Arizona Corporation Commission ("ACC" or "Commission") for an extension of its Certificate of Convenience and Necessity ("CC&N") to provide water service to a portion of Pinal County, Arizona. On August 23, 2005, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of the Arizona Administrative Code.

By this application, the Company is seeking Commission authority to extend its service territory to include a development known as Eagle Crest West. Eagle Crest West will add approximately 188 acres to its existing 800 acres of certificated area. Eagle Crest West is located in all of Section 32, Township 10 South, Range 14 East, west of State Highway 77 and is contiguous to Goodman's current water CC&N on its eastern border, near Oracle Junction in Pinal County.

Based on Staff's review and analysis of the application, Staff believes that the existing system has adequate production and storage capacity to serve the existing and proposed CC&N extension area within a conventional five year planning period and can reasonably be expected to develop additional storage and production as required in the future.

Staff recommends the Commission approve the Goodman application for an extension of its CC&N within portions of Pinal County, Arizona, to provide water service, subject to compliance with the following conditions:

1. To require Goodman to charge its authorized rates and charges in the extension area.
2. To require Goodman to file with Docket Control, as a compliance item in this docket, for Staff review and approval, a copy of the fully executed main extension agreements for water facilities for the extension area within 365 days of a decision in this case.
3. To require Goodman to obtain and file with Docket Control, as a compliance item in this docket, a copy of the developer's Certificate of Assured Supply for the "Eagle Crest West" extension area, stating that there is adequate water supply, where applicable or when required by statute, within one year of the effective date of the final decision and order issued pursuant to this application.
4. To require Goodman to file with Docket Control, as a compliance item in this docket, a copy of the franchise agreement from Pinal County for the requested area within 365 days of the decision in this matter.

Staff further recommends that the Commission's Decision granting the requested CC&N extension to Goodman be considered null and void should Goodman fail to meet Condition Nos. 2, 3, and 4 listed above within the time specified.

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Introduction

On June 17, 2005, Goodman Water Company ("Goodman" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for an extension of its Certificate of Convenience and Necessity ("CC&N") to provide water service to a portion of Pinal County, Arizona.

On July 12, 2005, the ACC Utilities Division ("Staff") filed an Insufficiency Letter, indicating that the Company's application did not meet the sufficiency requirements of Arizona Administrative Code ("A.A.C.") R14-2-402(C). A copy of the Insufficiency Letter was sent to the Company via U.S mail. In the letter, Staff listed the deficiencies that needed to be cured for administrative purposes.

On August 23, 2005, the Company provided additional documentation to support its relief requested.

On September 16, 2005, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of the A.A.C. R14-2-402(C).

Background

Goodman is an Arizona Corporation, in good standing with the Commission's Corporation Division, and engaged in providing water service to customers in portions of Pinal County, Arizona. Goodman was originally incorporated in 1985 as Panorama Properties, Inc. dba Goodman Water Company. On March 5, 2003, Goodman filed a Notice of Name Change, pursuant to Decision No. 65651, that the corporate name Panorama Properties, Inc. was changed to Goodman Water Company. The Commission approved the original CC&N for Panorama Properties dba Goodman Water Company in Decision No. 56118, issued on September 15, 1988, for approximately two and one half sections of land. The only shareholders of Goodman are Mr. James Shiner (the President), Mr. Alexander Sears, and D. R. Horton, Inc.

By this application, the Company is seeking Commission authority to extend its service territory to include a development known as Eagle Crest West. Eagle Crest West will add approximately 188 acres to its existing 800 acres of certificated area. Eagle Crest West is located in all of Section 32, Township 10 South, Range 14 East, west of State Highway 77 (also known as U.S. Highway 89) and is contiguous to Goodman's current water CC&N on its eastern border, near Oracle Junction in Pinal County.

Finance of Utility Facilities

The Company indicated in the application that it will finance the required utility facilities through a combination of restricted sale of stock and Developer Line Extension Agreements. Advances in aid of construction are often in the form of Main or Line Extension Agreements ("MXAs"). MXAs are standard industry practice. The minimal acceptable criteria for line

extension agreements between water utilities and private parties are established by A.A.C. R14-2-406. These agreements generally require the developer to design, construct and install (or cause to be), all facilities to provide adequate service to the development. The developer is required to pay all costs of constructing the required facilities necessary to serve the development. Upon acceptance of the facilities by the Utility Company, the developer conveys the utility facilities through a warranty deed to the Utility Company. Utility Companies will often refund ten (10) percent of the annual water revenue associated with development for a period of ten (10) years.

Staff recommends that Goodman file with Docket Control, as a compliance item in this docket, for Staff review and approval, a copy of the fully executed main extension agreements for water facilities for the extension area within 365 days of a decision in this case.

The Water System

Goodman has two well(s) with a total production capacity of 1,240 gallons per minute (“gpm”), 4,000,000 gallons of storage capacity, booster pumps, pressure tanks, and a distribution system serving approximately 500 connections. Based on historical growth rates, it is anticipated that the existing service area could have a total of 1,300 customers at the end of five years. The Company has predicted an additional 450 customers for the proposed CC&N extension area, at the end of five years. The existing production and storage can serve approximately 1,000 connections. A new 800 gpm well and a 530,000 gallon storage tank are planned.

Staff concludes that the existing system has adequate production and storage capacity to serve the existing and proposed CC&N extension area within a conventional five year planning period and can reasonably be expected to develop additional storage and production as required in the future.

Arizona Department of Environmental Quality Compliance

The ADEQ regulates the water system under ADEQ Public Water System I.D. No. 11-130. ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

Arizona Department of Water Resources (“ADWR”) Compliance

Goodman is within the Tucson Active Management Area. Since Goodman supplies less than 250 acre-feet per year for non-irrigation use, it is considered a “small provider” and is not subject to the gallons per capita per day (“GPCD”) limit and conservation rules, and is only required to monitor and report water use. ADWR has indicated that the Goodman Water Company is in compliance with its monitoring and reporting requirements.

Every developer is required to demonstrate an assured water supply that will be physically, legally, and continuously available for the next 100 years before the developer can record plats or sell parcels in an Active Management Area. The Arizona Department of Real Estate ("ADRE") will not issue a public report, which allows the developer to sell lots, without a demonstration of an assured water supply. The developer can prove a 100 year supply by satisfying the requirements to obtain a Certificate of Assured Water Supply or by written commitment of service from a provider with Designation of Assured Water Supply. Goodman attached a copy of a Certificate of Assured Water Supply for "Eagle Crest Ranch" to the application. "Eagle Crest West" development is the subject of the instant application and not "Eagle Crest Ranch". "Eagle Crest Ranch" was the subject of Goodman's initial application in Docket No. U-2500-87-168, approved by Decision No. 56118, issued on September 14, 1988.

As such Staff recommends that Goodman be required to obtain and file with Docket Control, as a compliance item in this docket, a copy of the developer's Certificate of Assured Supply for the "Eagle Crest West" extension area, stating that there is adequate water supply, where applicable or when required by statute, within one year of the effective date of the final decision and order issued pursuant to this application.

ACC Compliance

According to the Utilities Division Compliance Section, Goodman has no outstanding ACC compliance issues.

Arsenic

The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 micrograms per liter (" $\mu\text{g/l}$ ") or parts per billion ("ppb") to 10 $\mu\text{g/l}$. The date for compliance with the new MCL is January 23, 2006. The most recent lab analysis by the Company indicated that the arsenic level in its source supply wells is 2 $\mu\text{g/l}$. Based on this arsenic concentration, the Company is in compliance with the new arsenic MCL.

Curtailment Plan Tariff

A Curtailment Plan Tariff ("CPT") is an effective tool to allow a water company to manage its resources during periods of shortages due to pump breakdowns, droughts, or other unforeseeable events.

Goodman has an approved Curtailment Plan Tariff that has been in effect since February 18, 2003.

Proposed Rates

Goodman has proposed to provide water utility service to the extension area under its authorized rates and charges.

County Franchise

Every applicant for a CC&N and/or CC&N extension is required to submit to the Commission evidence showing that the applicant has received the required consent, franchise or permit from the proper authority. If the applicant operates in an unincorporated area, the company has to obtain the franchise from the County. If the applicant operates in an incorporated area of the County, the applicant has to obtain the franchise from the City/Town.

Staff recommends that Goodman be required to file with Docket Control, as a compliance item in this docket, a copy of the franchise agreement from Pinal County for the requested area within 365 days of the decision in this matter.

Recommendations

Staff recommends the Commission approve the Goodman application for an extension of its CC&N within portions of Pinal County, Arizona, to provide water service, subject to compliance with the following conditions:

1. To require Goodman to charge its authorized rates and charges in the extension area.
2. To require Goodman to file with Docket Control, as a compliance item in this docket, for Staff review and approval, a copy of the fully executed main extension agreements for water facilities for the extension area within 365 days of a decision in this case.
3. To require Goodman to obtain and file with Docket Control, as a compliance item in this docket, a copy of the developer's Certificate of Assured Supply for the "Eagle Crest West" extension area, stating that there is adequate water supply, where applicable or when required by statute, within one year of the effective date of the final decision and order issued pursuant to this application.
4. To require Goodman to file with Docket Control, as a compliance item in this docket, a copy of the franchise agreement from Pinal County for the requested area within 365 days of the decision in this matter.

Staff further recommends that the Commission's Decision granting the requested CC&N extension to Goodman be considered null and void should Goodman fail to meet Condition Nos. 2, 3, and 4 listed above within the time specified.

MEMORANDUM

DATE: October 7, 2005

TO: Blessing N. Chukwu
Executive Consultant III

FROM: John A. Chelus *JAC*
Utilities Engineer

RE: Goodman Water Company
CC&N Extension – Water
Docket No. W-02500A-05-0443

Introduction

Goodman Water Company has applied to extend its Certificate of Convenience and Necessity (CC&N). The requested area will serve a development called Eagle Crest West and will add approximately 188 acres to its existing 800 acre certificated area. The requested area will consist of all of Section 32 west of State Route 77 and the easterly 412 feet of Section 31, Township 10 S Range 14 E. Eagle Crest West will eventually serve approximately 1,302 residential customers. The existing Goodman Water Company is located northeast of State Highway 77 at Oracle Road and Edwin Road near Oracle Junction in Pinal County.

Capacity

Goodman Water Company has in existence two well(s) with a total production capacity of 1,240 gal/min, 4,000,000 gallons of storage capacity, booster pumps, pressure tanks, and a distribution system serving approximately 500 connections. Based on historical growth rates, it is anticipated that the existing service area could have 1,300 total customers at the end of five years. The company has predicted an additional 450 customers for the proposed CC&N extension, at the end of five years. The existing production and storage can serve approximately 1,000 connections. A new 800 gal/min well and a 530,000 gallon storage tank are planned. Staff concludes that the existing system has adequate production and storage capacity to serve the existing and proposed CC&N area and can reasonably be expected to develop additional storage and production as required in the future.

Arizona Department of Environmental Quality (ADEQ) Compliance

ADEQ regulates the water system under ADEQ Public Water System I.D. # 11-130. Compliance data supplied by ADEQ indicates that Goodman Water Company is currently delivering water which meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

Arizona Department of Water Resources (ADWR) Compliance

Goodman Water Company is within the Tucson Active Management Area. Since the water company supplies less than 250 acre-feet per year for non-irrigation use, it is considered a "small provider" and is not subject to the gallons per capita per day (GPCD) limit and conservation rules, and is only required to monitor and report water use. ADWR indicated that the Goodman Water Company is in compliance with its monitoring and reporting requirements.

It is recommended that Goodman Water Company file with Docket Control, as a compliance item in this docket, a copy of the Developer's Certificate of Assured Supply for the new service area in this CC&N application. Goodman Water Company shall file such ADWR certificate within one year of the effective date of the final decision and order in this matter.

Arsenic

The U.S. Environmental Protection Agency (EPA) has reduced the arsenic maximum contaminant level (MCL) in drinking water from 50 micrograms per liter ($\mu\text{g/l}$) to 10 $\mu\text{g/l}$. The date for compliance with the new MCL is January 23rd, 2006. The most recent lab analysis by the Company indicated that the arsenic level in its source supply wells is 2 $\mu\text{g/l}$. Based on this arsenic concentration, the Company is in compliance with the new arsenic MCL.

Curtailment Tariff

Goodman Water Company has a curtailment tariff on file with the Commission.

Summary

Conclusions

1. Staff concludes that the existing system has adequate production and storage capacity to serve the existing and proposed CC&N area and can reasonably be expected to develop additional storage and production as required in the future.
2. ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
3. ADWR indicated that the Goodman Water Company is in compliance with its monitoring and reporting requirements.
4. Goodman Water Company has a curtailment tariff on file with the Commission.

Recommendations

1. It is recommended that Goodman Water Company file with Docket Control, as a compliance item in this docket, a copy of the Developer's Certificate of Assured Supply for the new service area in this CC&N application. Goodman Water Company shall file such ADWR certificate within one year of the effective date of the final decision and order in this matter.

MEMORANDUM

TO: Blessing Chukwu
Executive Consultant III
Utilities Division

FROM: Barb Wells 
Information Technology Specialist
Utilities Division

THRU: Del Smith 
Engineering Supervisor
Utilities Division

DATE: November 16, 2005

RE: **GOODMAN WATER COMPANY (DOCKET NO. W-02500A-05-0443)**
REVISED LEGAL DESCRIPTION

The area requested by Goodman for an extension has been plotted using a revised legal description (filed for the purpose of clarifying the highway reference), which has been docketed. This legal description is attached and should be used in place of the original description submitted with the application.

Also attached is a copy of the map for your files.

:bsw

Attachments

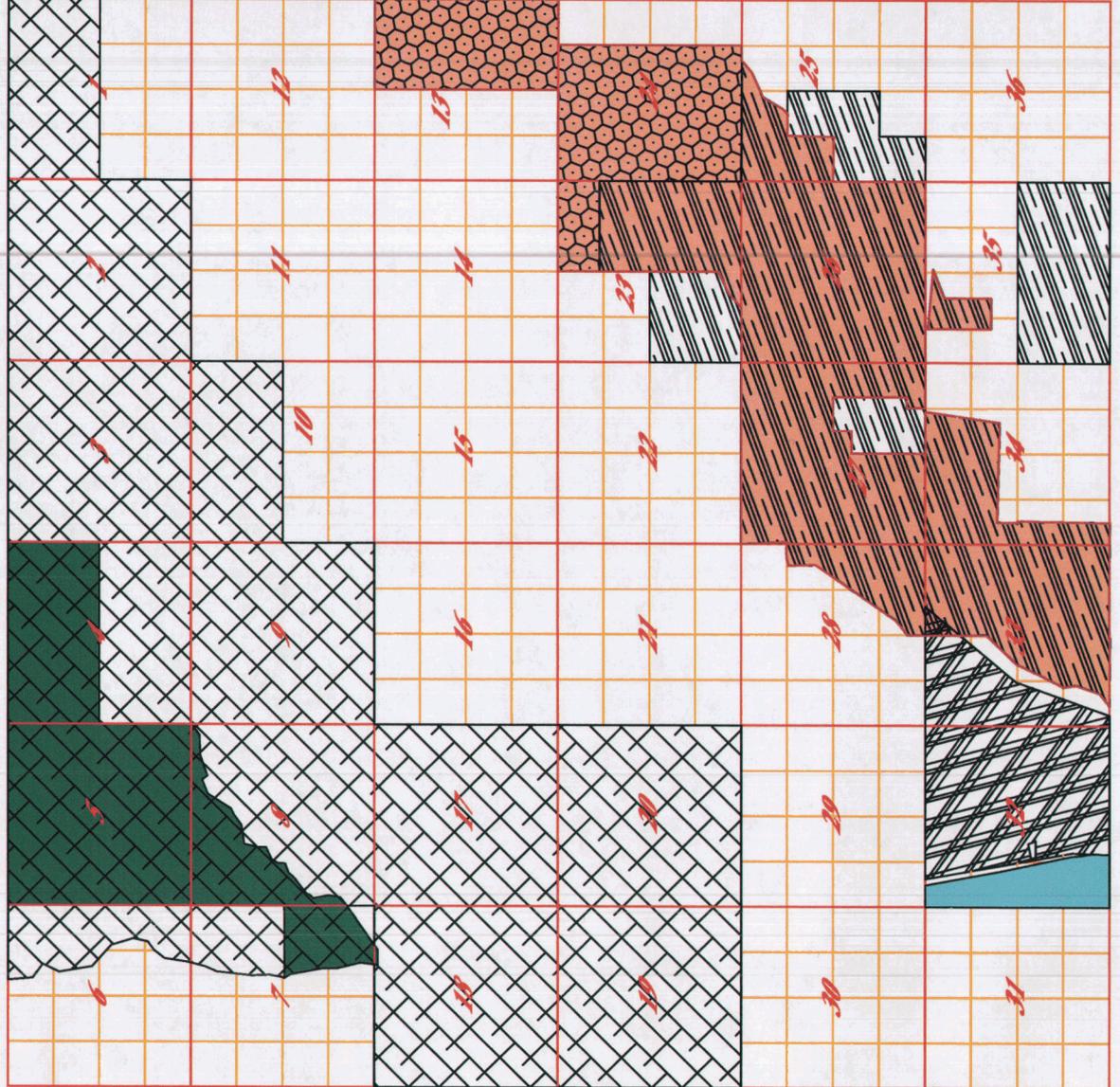
cc: Docket Control
Mr. Michael McNulty
Ms. Deb Person (Hand Carried)
File

COUINTRY Pinal

RANGE 14 East

TOWNSHIP 10 South

-  W-1445 (34)(5)
Arizona Water Company (Oracle)
-  W-1944 (2)
Lago Del Oro Water Company, Inc.
-  W-3861 (1)
Ridgeview Utility Company
-  W-2500 (1)
Goodman Water Company
-  Sewer
Saddlebrooke Utility Company
-  Sewer
Mountain Pass Utility Company
-  Goodman Water Company
Docket No. W-02500A-05-0443
Application for Extension



AMENDED EXHIBIT "ONE"

That portion of the West half of Section 32, Township 10 South, Range 14 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona, lying West of the following described line:

Commencing at the Northwest corner of said Section 32;

Thence North 89 degrees 07 minutes 49 seconds East, along the North line of said Section 32, a distance of 638.22 feet to a point on a line being 60.00 feet West of and parallel to the existing right of way line of State Highway 77 (also known as U.S. Highway 89) and the POINT OF BEGINNING;

Thence South 10 degrees 44 minutes 03 seconds East, along said parallel line, a distance of 2167 feet;

Thence, along a curve to the left, having a radius of 23,078.31 feet, an arc length of 677.14 feet;

Thence South 12 degrees 24 minutes 55 seconds East, a distance of 1148.18 feet;

Thence South 11 degrees 40 minutes 24 seconds East, a distance of 293.70 feet;

Thence, from a local tangent bearing of South 10 degrees 09 minutes 55 seconds East, along a curve to the right, having a radius of 3659.72 feet, an arc length of 591.48 feet;

Thence South 00 degrees 36 minutes 10 seconds West, a distance of 293.70 feet;

Thence South 01 degrees 20 minutes 41 seconds West, a distance of 210.08 feet to a point on the South line of said Section 32 and the POINT OF TERMINUS.

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**AZ Corporation Commission
Director of Utilities**

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